



April 14, 2003

Mr. Atwood Collins, III, Chair  
Federal Home Loan Bank of New York  
101 Park Avenue  
New York, NY 10178-0599

RE: Implementation of Federal Home Loan Bank of New York Capital Plan (2003-APP-06)

Dear Mr. Collins:

On July 18, 2002, the Board of Directors of the Federal Housing Finance Board (Finance Board) approved the capital plan of the Federal Home Loan Bank of New York (Bank) subject to the Bank receiving approvals of its risk assessment procedures and controls and internal market risk model pursuant to 12 C.F.R. § 932.1. In my letter of December 9, 2002, we approved your risk assessment procedures and controls.

We have reviewed the materials that the Bank submitted in support of its request for approval of its market risk model and have held a number of conversations with Bank staff about its risk modeling procedures and assumptions. Given the Bank's current portfolio and modeling capabilities, the Bank models its interest rate and basis risk adequately and takes proper account of the optionality of both its on- and off-balance-sheet instruments. In particular, we understand that the Bank intends to use a robust Monte Carlo process with at least 100 paths for valuation of mortgage instruments. Based on the results of our review, pursuant to 12 C.F.R. § 932.1, the Finance Board approves the Bank's market risk model.

With this approval of the Bank's market risk model and our December 9, 2002 approval of the Bank's risk assessment procedures and controls, the Bank now may proceed with implementation of its new capital plan.

This approval is further based on the information, representations and commitments made by the Bank. Any material change in the information, representations or commitments made by the Bank, or in the Bank's business plan or operations, prior to the Bank's conversion to its new capital plan, would be a cause for us to modify, change, or rescind our approval.

Sincerely,

*/s/ Stephen M. Cross*

Stephen M. Cross  
Director  
Office of Supervision

cc: Alfred A. DelliBovi